

the States. I ask them—I hope it will be tomorrow when we come forward with our amendment—to support the amendment. My amendment will simply provide incentives for States to impose sanctions on youth who buy or possess tobacco products illegally. We are taking all kinds of steps in the bill to keep cigarettes out of the hands of teens. We are creating new boards and agencies, we are seeking that the tobacco industry limit advertising, we are planning ad campaigns to discourage teens from smoking, we are holding convenience stores accountable for selling cigarettes to teens illegally. About the only people we are not holding responsible are the teens themselves. I ask support for my amendment that will do that.

Teen smoking is on the rise at a time when older adults are reducing tobacco consumption. There is more information out there than ever before about the risks of smoking, but teens continue to smoke. Some of that may be rebelliousness. How should we handle that rebellion? Quite simply, by holding teens accountable for their actions. Teens need to know that their actions have consequences. If they purchase tobacco illegally, they should have a penalty to pay—perform community service or kick in with some money to the General Treasury of the entity involved.

Mr. President, I ask support for my amendment. If others want to cosponsor the amendment, I welcome having them contact us. We are already working with several Members who are interested. I hope we can get this amendment accepted on both sides. I think it is a responsible and appropriate response to the problem that this measure seeks to address.

Mr. President, I yield the floor and, seeing no other Senator present wishing to speak, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KYL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ALLARD). Without objection, it is so ordered.

#### INDIA'S NUCLEAR PROGRAM

Mr. KYL. Mr. President, given the fact that the managers of the tobacco legislation are not here even though the Senate was to begin reconsideration of that proposal at 2 o'clock, I would like to continue to speak in morning business for about 5 minutes to put an article in the RECORD and ask unanimous consent at this time to include that article at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. KYL. Mr. President, this is an article from the Washington Post by Vic-

tor Gilinsky and Paul Leventhal. Victor Gilinsky is an energy consultant, and Paul Leventhal is president of the Nuclear Control Institute. At the time of the 1974 nuclear test by India, they were, respectively, a member of the Nuclear Regulatory Commission and the U.S. Senate staff.

They write about the history of the nuclear program conducted by India, illustrating the complicity that the United States has had in the Indian program and, more importantly, the misplaced reliance that the United States has put in arms control agreements, which in the end never quite seem to bear the fruit that we had hoped for.

In this case, it was part of the Atoms for Peace Program that the United States participated in as a result of a previous treaty, and it was part of the Atoms for Peace Program whereby the United States and Canada and other nuclear powers would provide some material for India for peaceful purposes. They had a reactor built by Canada. It was made essentially operable, according to this article, by the United States providing 21 tons of heavy water. This, of course, was all under a promise that the Indians made to the United States that the reactor would be used only for peaceful purposes. But apparently India used plutonium from this reactor in its 1974 nuclear explosion. What the authors said—I will quote: “. . . neither capital”—meaning the capital of Canada or the United States—“has uttered a peep about this matter is symptomatic of Western complicity in the South Asian nuclear crisis and of the present paralysis in dealing with it.”

What they are pointing out is that when we negotiate a peace treaty with countries which says, “You won't develop nuclear weapons—if you will promise not to do that, then we will provide you peaceful nuclear technology,” it is almost impossible for that peaceful technology to end up in a nuclear weapons program if that is the country's ultimate desire. And, in the case of India, for whatever reasons it decided it was in its national interest to produce a nuclear weapon, apparently it used the product of this Atoms for Peace peaceful nuclear program as part of its weapon program in violation of the treaty.

But for the United States, or Canada, or the other nuclear powers of the world to complain about this would require us to have to admit to something that we are not about to admit; namely, that these treaties don't work; that there is no way to enforce them; and that, in point of fact, a program that we had every hope would be a success—the Atoms for Peace Program—has in fact helped to contribute to the development of a nuclear weapon by the country of India.

The article goes on to make some other points that I think are important; that is, that the country of India has broken several promises here in the

development of its nuclear weaponry; that it had always complained about the charter of the new International Atomic Energy Agency in the 1950s.

The article points out:

It was duplicity in carrying out the Atoms for Peace agreements in the 1960's. It undermined the Nuclear Non-Proliferation Treaty with its “peaceful” bomb of 1974.

That is referring to the fact that the Indians got around the violation by claiming that the bomb they exploded was for peaceful purposes. And apparently the United States looked the other way.

But the article goes on to note, “Despite this history, each new generation of American policymakers thinks that by being a little more accommodating”—for countries like India—we will then gain their restraint and their acceptance of the nuclear controls that we would like to place upon them. Of course, India is not alone in this. I am not being any more critical of India than I would be of other countries that would be engaged in the same kind of conduct.

But what this article concludes is “. . . American self-deception that stems from a mix of idealism and commercial greed.” is the reason these countries have been able to get away with this for so long—again, “. . . American self-deception that stems from a mix of idealism and commercial greed.”

Mr. President, that is exactly what we have seen with the desire to sell virtually anything to nobody, the argument always being, if we will not sell it to them, then someone else will, which is always an excuse for transferring technology. That we have come to learn with some sadness recently. That should not have been transferred to China, for example.

We also find this concept of idealism—that if they will just sign one more treaty, if we will just get one more commitment from a country that it won't engage in conduct that we believe inimical to world peace, that just maybe, therefore, we will have the peace that we so earnestly desire.

The fact of the matter is that when it comes to a nation's self-defense, it is going to do what it deems in its best interest irrespective of a piece of paper, of a treaty, of a commitment, or of a promise to the rest of the world, and it is not going to be swayed by world opinion or even by the punishment that nations or organizations may mete out.

Thus, India and Pakistan were all too willing to suffer the opprobrium of the world community. They were very—I shouldn't say “happy”—but they were willing to suffer the constraints of the economic sanctions that are automatically imposed upon them as a result of their nuclear programs and their testing, because, first of all, it is domestic politics for them, but, even more importantly, they deem it to be in their national self-interest for the preservation of their countries.



You cannot expect a treaty that has been signed to prevent a country from doing what it believes is in its national self-interest. To think that the United States could, therefore, dissuade a country like North Korea or Iran or Iraq or one of the other so-called rogue nations of the world to forego the development or testing of nuclear weapons if only we could get everybody in the world to sign the Comprehensive Test Ban Treaty is, I think, a ludicrous, self-deceptive, naive thought.

That is why I thought the article these two gentlemen wrote and was published in the Washington Post today is so interesting, because it gives a little bit of perspective. It reminds us of how, with the best intentions, we signed treaties in the past. Part of the terms of those treaties was that we would supply atoms for peace, but when a country deemed it to be in their self-interest to use that largesse to develop their nuclear program, they did it. And after having developed their nuclear program, and this having been a violation of the Nuclear Non-Proliferation Treaty, we should not find it as a surprise that they are then going to test those nuclear weapons which would, if these countries were to sign the CTBT, be a violation of that treaty as well.

Mr. President, I conclude with this point. There has been some talk lately that the explosions of the Pakistani and Indian nuclear devices suggest it is now time for the Senate to take up the CTBT, the Comprehensive Test Ban Treaty.

Exactly the opposite is true, as the distinguished majority leader of the Senate pointed out in a television interview a week ago last Sunday. He said it is 180 degrees wrong. He said the fact is that these two tests demonstrate that a test ban treaty will not have any effect on a country that deems it in its national self-interest to test these weapons; that a piece of paper is not going to stop them.

It is interesting that in the last 2½ years, during the time that the United States has had a moratorium on testing, and that we have supposedly led world opinion in encouraging other nations not to test, five nations have tested nuclear devices—probably five. We know about France and China and now India and Pakistan, and perhaps Russia. But, you see, as to verifying whether Russia actually tested at its test site in the Novaya Zemlya, we don't know for sure whether that happened, or at least we can't discuss it publicly because the means that we have for detecting those explosions is not adequate for the verification that would be called for under the CTBT.

But we know that at least four, if not five, nations have tested, and this is all during the time that the United States has been leading the way by not testing, by having a unilateral moratorium here. The only other, of course, Great Britain, has acknowledged having nuclear weapons that it hasn't tested.

So world opinion, leading by example, sanctions, none of these is sufficient to prevent a country from doing what it believes is in its national self-interest. As this article points out, you just cannot rely upon a treaty or a piece of paper to prevent a country from doing what it believes it has to do to protect its national security. To do so is to fall back on that great American practice of hoping against hope and of putting our reliance in idealism and in treaties when, in fact, the answer is to always be prepared with an adequate military defense. In this case, of course, the defense is the establishment of a missile defense, which we have got to get on with building.

That is a subject for another day, but the bottom line is we can always do what we can do to defend ourselves, such as building a missile defense as opposed to putting our reliance on something over which we have no control, and that is another country's behavior, even in the face of moral condemnation by world opinion and the significant economic sanctions that might be imposed by other countries as well as the United States.

As I said, I will put this article in the RECORD. I urge my colleagues who are interested in the subject to further explore it as we debate the question of whether or not the Senate should take up the CTBT. As I said, I agree with the distinguished majority leader that these tests demonstrate that putting any reliance on that agreement would be folly and therefore far from suggesting this is the time to take it up, I suggest it is time to forget about it.

#### EXHIBIT 1

[From the Washington Post, June 15, 1998]

#### INDIA CHEATED

(By Victor Gilinsky and Paul Leventhal)

You wouldn't know it from news reports, but most of the military plutonium stocks India dipped into for its recent nuclear tests came from a research project provided years ago by the United States and Canada. India had promised both countries it would not use this plutonium for bombs.

If Washington and Ottawa were now to keep India to its promise, and verify this, India would lose more than half the weapons-grade plutonium for its nuclear bombs and missiles. The United States and Canada should make this an essential condition for the lifting of economic sanctions.

The plutonium in question is the approximately 600 pounds—enough for about 50 bombs—produced in India's CIRUS research reactor since it began operating in 1960. This was an "Atoms for Peace" reactor built by Canada and made operable by an essential 21 tons of heavy water supplied by the United States. In return for this assistance, India promised both suppliers in writing that the reactor would be reserved for "peaceful purposes."

India used plutonium from this reactor for its 1974 nuclear explosion. When the facts emerged, Prime Minister Indira Gandhi insisted there had been no violation of the peaceful-use commitments because India had set off a "peaceful nuclear explosion." The Indian scientist then in charge, Raja Ramanna, now has admitted it was a bomb all along. And India now has declared itself a nuclear-weapons state on the basis of its

current tests. With the decades-old "peaceful" pretense stripped away, the United States and Canada should make unambiguously clear that India may not use CIRUS plutonium for warheads or related research.

The fact that neither capital has uttered a peep about this matter is symptomatic of Western complicity in the South Asian nuclear crisis and of the present paralysis in dealing with it. There is also the matter of a 1963 agreement covering two U.S.-supplied nuclear power reactors at Tarapur and their fuel. The radioactive used fuel from these reactors is in storage and contains most of India's "reactor-grade" plutonium. India has said it will reprocess the used fuel to extract the plutonium for use as civilian power-reactor fuel. But reactor-grade plutonium also is explosive and once separated, it could be used by India's scientists for rapid deployment in warheads. There is enough Tarapur plutonium for hundreds of them.

Under the 1963 agreement, India must get U.S. approval to reprocess. India disputes this and insists it is free to reprocess the used fuel at any time. The State Department, historically reluctant to tangle with India, rationalized Tarapur as an unnecessary irritant in U.S.-India relations and put this disagreement in the sleeping-dogs category.

In the history of U.S.-India nuclear relations, nothing stands out so much as India's constancy in pursuing nuclear bomb-making and America's nearsightedness about Indian intentions. India fought to weaken the charter of the new International Atomic Energy Agency in the 1950s. It was duplicitous in carrying out Atoms for Peace agreements in the 1960s. It undermined the Nuclear Non-Proliferation Treaty with its "peaceful" bomb of 1974.

Despite this history, each new generation of American policymakers thinks that by being a little more accommodating it will gain Indian restraint and acceptance of nuclear controls. The Indians (they are not alone in this) have for a long time played on that characteristically American self-deception that stems from a mix of idealism and commercial greed. It is not surprising that the Indians expect the game to continue.

The angry congressional reaction to discovering America's role in the 1974 test was the 1978 Nuclear Non-Proliferation Act. This barred nuclear reactor and fuel exports to countries such as India that refuse to accept full international inspections. But the State Department helped India get around the law by arranging for France and later China to continue the Tarapur fuel supply. Is it any wonder the Indians do not take us seriously?

Like India's 1974 test, the 1998 tests present a defining event in U.S. nonproliferation policy. We have failed to react sharply enough to head off Pakistani tests. But we still can be taken seriously in this region and by other aspiring nuclear states such as Iran. At a minimum we should insist that Indian plutonium covered by "peaceful purposes" agreements be unavailable for warheads, and that Tarapur fuel is not reprocessed to extract plutonium. This is by no means the whole answer, but there is no point in trying to "engage" India is new nuclear limitations if we do not enforce existing agreements.

Mr. KYL. I thank the Chair. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.



The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that I may speak as in morning business for 7 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ASIAN FINANCIAL CRISIS

Mr. MURKOWSKI. Mr. President, last Thursday, before Secretary of Treasury Robert Rubin began testifying before the Senate Finance Committee, it is interesting to reflect on the status of the Japanese yen. At that time, it was trading at 141 to the dollar. During the hearing, I had an opportunity to ask Secretary Rubin whether or not the United States would intervene to stabilize the yen, and Secretary Rubin correctly observed that with the hundreds of billions, if not trillions of dollars and yen trading around the world on a daily basis, central bank intervention can only stabilize a currency for a very short period of time. It is further interesting to note, upon the completion of the Secretary's comments the yen fell to 144 to the dollar. So clearly there is a question of confidence.

On Friday, the Government of Japan announced that the Japanese economy had met the standard definition of a recession; that is, two-quarters of negative growth. Unemployment in Japan is at its post-1950s record of 4.1 percent, which in Japan is extraordinarily high, with youth unemployment exceeding 9 percent.

As of this morning, the yen has fallen through the 146 level. The Japanese stock market was within 2 percent of a 52-week low. Moreover, the stock markets—Hong Kong, India, Malaysia, South Korea and Thailand—have all hit 52-week lows. Mr. President, it is clear that Asia has yet to turn itself around from the crisis that started well over a year ago, and the biggest reason Asia is tumbling is because the Japanese Government has failed to face up to the realities of its crumbling economy, especially the dismal state of its banking sector. So long as Japan fails to take decisive action in the banking sector, the yen is very likely to plunge further as lack of confidence prevails, carrying with it the threat to all Asian economies of deflation and further currency devaluations. I think you would agree that all Americans should be very concerned about this crisis in Asia, and particularly in Japan.

Japan is the second largest economy in the world and imports more than \$66 billion in goods from the United States. Moreover, Japan is a major importer from the rest of Asia, and if its economy continues in recession, the rest of Asia will remain mired in economic decline which could lead to political instability, not unlike what we recently witnessed in Indonesia.

The reality of the yen decreasing in value is very simple, Mr. President.

Eighteen months ago, the yen was about 80. A year ago, it was a little over 100. At that time, it took 80 yen to buy a U.S. lamp. Today, it takes 146 yen. As a consequence, we are not selling any lamps or much of anything else in Japan.

Alan Greenspan recently noted:

Without first fixing its banking sector, Japan has little hope of fueling economic recovery.

An editorial in today's New York Times, commenting on Japan's recession, states:

The first priority for Japanese officials must be to save the country's sick banking system.

Ever since the so-called bubble economy burst in Japan 7 years ago, the banking system has been carrying bad loans on its books from the days of heady land and financial speculation.

As a former banker with 25 years of experience in commercial banking, I can tell you what happens when these loans become nonperforming. When the payments cannot be made, of course, the interest can't be paid as well. More often than not, the bank simply adds the past-due interest to the principal and brings the loan current, and the loan appears current on the books when, in reality, it is a nonperforming loan and, in many cases, a loss.

Since 1991, the Japanese Government has promised time and time again to reform financial sectors within the country, but it has yet to fulfill its promise. Instead, I believe that the Government has always believed it could say one thing and do another or, in this case, simply rely on exports to stimulate the economy. The reality is that it will not and has not worked in the past.

In January, Japan's Ministry of Finance announced that the number of problem loans was \$577 billion, of which at least \$85 billion had already gone bad or were insolvent. The remaining, nearly \$500 billion, had the potential to go bad as well. Some analysts believe the value of the problem loans today in Japan is closer to \$700 billion.

Following this report, the Japanese Government announced a large bank bailout, but since then almost nothing has been done to implement it. The sick banks stay open and the economy continues to hemorrhage.

In Japan today, short-term interest rates are at their lowest level ever since economic statistics have been recorded. Short-term loans carry interest rates—interest rates, Mr. President—below 1 percent. Imagine that the yield on a long-term, 10-year Japanese Government bond is an incredible 1.3 percent. With interest this low, it is hard to imagine why Japan is sinking into a recession.

Yet, in a recent poll, 95 percent of Japanese companies interviewed complained about the difficulty of receiving loans from Japanese banks. The explanation is simple: The banks are fearful of making new loans. There is a credit crunch in Japan because of the

overhang of all the bad debt that is being carried on the banks' books already. So long as this overhang continues, Japan will continue to fall further into recession.

Mr. President, the Japanese can learn a valuable lesson from our bad experience with the failed savings and loans in the United States. When the S&L crisis first began to be felt in 1985, it was debated at great length here on this floor. Congress and the President refused to face the crisis and did not provide the sufficient funds to close the failed S&Ls. This only prolonged the crisis and ballooned the cost of the bailout to the taxpayer.

When we first recognized the difficulty with the failing savings and loans, the estimated loss at that time was \$25 billion to \$30 billion. But we in the United States did not take our medicine in a timely manner and the S&L bailout ultimately cost the taxpayers of this country more than \$200 billion.

We finally did face the S&L problem. The longer we put it off, the more it cost. We created the Resolution Trust Corporation. We closed down the failed banks and consolidated others. After several years, we finally put the S&L crisis behind us, because we recognized that keeping sick financial institutions open only exacerbates the problem and costs more to the taxpayer.

By contrast, the Japanese banks and their regulators have for years tried to hide their financial problems. In order to help cover up the insolvency problems of Japanese banks, just before the end of the fiscal year, in March, the Ministry of Finance changed the accounting rules affecting the so-called BIS ratio, a ratio used by international markets as a bellwether of financial health of the banks. This ratio says that shareholder equity—or assets minus liabilities—should at least equal 8 percent of the weighted assets, or typically the outstanding loans.

The changes allowed the banks to use the purchase price of their stock portfolios as the asset value when the stocks' prices have fallen. Since many of these stocks were bought in the heyday of the Japanese bubble economy, this enabled the Japanese banks to look healthy when, in fact, they were sick. Indeed, they are very sick, Mr. President.

Moreover, the Government attempted to manipulate the end-of-March stock prices by buying up shares on the open market. Neither of these actions suggest that the Japanese Government is serious about making banking changes in conformity with good accounting practices.

Until Japan faces up to its banking crisis, things are going to get worse, not only in Japan but throughout Asia, because of the importance of the Japanese economy to the rest of Asia.

Another looming threat to Asia lies in China which also faces a seriously dangerous banking situation. I was over in Beijing and Shanghai towards